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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 20, 2001

APPLICATION OF

VIRGINIA-AMERICAN WATER COMPANY

CASE NO. PUE010312

For a general increase in rates

ORDER FOR NOTICE AND HEARING

On May 30, 2001, Virginia-American Water Company ("Virginia-American" or the "Company") completed an application for an expedited increase in rates for services. In its application, the Company proposes that the rates become effective June 28, 2001. The proposed rates would produce additional annual operating revenues of \$997,436, an increase of approximately 4.23% over the current rates approved in the Company's last rate case.¹ The Company proposes that the additional annual operating revenues be allocated among the Company's three operating districts as follows:

\$181,430	increase for the Alexandria District
\$816,006	increase for the Hopewell District
\$ 0	increase for the Prince William District

In addition to revising its rates, the Company proposes to reword Tariff Rule 14. The rule currently states:

A customer who has made application for or received water service at a premise shall be held liable for all water service furnished

¹ Application of Virginia-American Water Company, For a general increase in rates, Case No. PUE990677, Final Order (November 30, 2000).

to such premises until such time as the customer properly notifies the Company to discontinue the service for his account.

To preclude an owner of a property with two or more living units from requiring one tenant to maintain the water service to the entire property in his name, the Company proposes to add:

However, if a premises contains more than one single family unit (e.g. duplex or apartments), then the owner of that premises, or the management company of that premises, shall be held responsible for the water service furnished to that premises until the Company is notified to discontinue service to the premises.

On June 7, 2001, Commission Staff filed a motion requesting that Virginia-American's application for an expedited increase in rates be treated as an application for a general increase in rates.² In support of its motion, Staff notes that the Company is proposing rates in this proceeding that do not include schedules for non-potable water service to industrial customers as were approved in the Company's last rate case, Case No. PUE990677. Although the Company had been moving toward providing a non-potable level of water service for certain industrial customers to forego the cost of replacing wood tub filters in the Hopewell District, Virginia-American's largest customer notified the Company that it could not utilize non-potable water. The costs previously allocated to the approved

² Under the Rules Governing Utility Rate Increase Applications and Annual Informational Filings ("Rate Case Rules"), 20 VAC 5-200-30, only those applicants which have not experienced a "substantial change in circumstances" since its last rate case may file an expedited rate application.

non-potable classes therefore are to be reallocated to other classes. Staff believes this represents a substantial change in circumstances and that the application should not be considered on an expedited basis. Staff indicates that it has no objection to permitting the Company to implement its proposed rates on an interim basis subject to refund after appropriate notice to the public and to file supplemental testimony and exhibits consistent with a general rate case proceeding.

On June 13, 2001, Virginia-American filed a response stating that all facilities constructed in anticipation of non-potable service are in-service and currently providing necessary service or can be incorporated in the design of the remaining filter replacement work. Therefore, the Company indicates that it does not believe the change from non-potable service would require the transformation to a general rate case.

Nevertheless, Virginia-American states that it would not oppose changing the expedited rate case to a general rate case on the basis that its rates would be allowed to go into effect immediately following appropriate notice to the public.

NOW UPON CONSIDERATION of the application, the Commission is of the opinion and finds this matter should be docketed as a general rate case; that the Company should give notice to the public of its application; that Commission Staff should conduct an investigation of the application; that interested persons should be given an opportunity to participate in this matter;

that a Hearing Examiner should be appointed; and that a public hearing should be scheduled. The Commission is of the further opinion that the Company's proposed rates and charges and tariff revisions should be suspended for a period of thirty (30) days from the issuance of this Order pursuant to § 56-238 of the Code of Virginia.

Accordingly, IT IS ORDERED THAT:

(1) This Application shall be docketed and assigned Case No. PUE010312, and all associated papers shall be filed therein.

(2) The Company's proposed rates and charges and tariff revisions are hereby suspended for thirty (30) days from the date of the issuance of this Order and shall take effect for service rendered on and after July 20, 2001, subject to refund with interest.

(3) Interested persons may obtain copies of Virginia-American's application and supporting testimony and exhibits, free of charge, by making a written request to the Company's counsel: Richard D. Gary, Esquire, and Jason T. Jacoby, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23218-4074. Copies are also available for review Monday through Friday, 8:15 a.m. to 5:00 p.m. at the Commission's Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia. A copy of this Order is available from the Commission's Web site, www.state.va.us/scc/caseinfo/orders.htm.

(4) Pursuant to Rule 120 of the Rules of Practice and Procedure ("Practice Rules"), 5 VAC 5-20-120, a Hearing Examiner shall be assigned to conduct further proceedings on behalf of the Commission and to file a final report with a transcript of this proceeding.

(5) A hearing on the application shall be held beginning at 10:00 a.m. on November 14, 2001, in the Commission's Second Floor Courtroom, Tyler Building, 1300 East Main Street, Richmond, Virginia. Any member of the public desiring to make a statement on the application at that time need only appear in the Commission's Second Floor Courtroom at 9:45 a.m. on the date of the hearing and identify himself or herself as a public witness to the Commission's Bailiff.

(6) On or before July 13, 2001, the Company shall complete publication of the following notice to be published as display advertising (not classified advertising) once a week for two consecutive weeks in newspapers of general circulation in the Alexandria District:

NOTICE TO THE PUBLIC OF AN APPLICATION
FOR A GENERAL INCREASE IN RATES BY
VIRGINIA-AMERICAN WATER COMPANY
CASE NO. PUE010312

On May 30, 2001, Virginia-American Water Company ("Virginia-American" or the "Company") completed an application with the State Corporation Commission (the "Commission") for an increase in rates and to revise its tariff. The Company's proposed rates and tariff revisions are effective July 20, 2001, subject to refund

with interest, pending a final determination by the Commission in this matter.

The proposed rates are designed to produce an overall increase of \$997,4316 or 4.23% increase in total annual operating revenues. The Company proposed to allocate the annual increase to its operating districts as follows:

	<u>Revenue Increase</u>	<u>Percent Increase</u>
Alexandria	\$181,430	1.78%
Hopewell	\$816,006	9.88%
Prince William	\$ 0	0%

Virginia-American's proposed rates for the Alexandria District are as follows:

AVAILABILITY OF SERVICE:

Available to all metered customers other than customers purchasing water for resale.

RATE:

	<u>Gallons Per Month</u>	<u>Quarter</u>	<u>Rate Per 1,000 Gallons</u>
First	2,000	6,000	minimum charge
Over	2,000	6,000	\$1.3543

MINIMUM CHARGE:

No bill will be rendered for less than the minimum charges set forth below:

<u>Size of Meter</u>	<u>Minimum Charge Per Month</u>	<u>Per Quarter</u>
5/8 inch	\$ 8.15	\$ 24.45
3/4 inch	\$ 12.23	\$ 36.69
1 inch	\$ 20.39	\$ 61.17
1-1/2 inch	\$ 40.77	\$ 122.31
2 inch	\$ 65.24	\$ 195.72
3 inch	\$122.33	\$ 366.99
4 inch	\$203.88	\$ 611.64
6 inch	\$407.77	\$1,233.31
8 inch	\$652.42	\$1,957.26

The Company intends to notify customers with 10 inch meters on an individual basis of the proposed minimum charge per month and per quarter.

PLEASE TAKE NOTICE that while the total revenue requirement that may be approved is limited to the amount requested by Virginia-American, individual rates and charges, revenue apportionment, and the tariffs approved by the Commission may differ from those proposed by the Company.

In addition to revising its rates, the Company proposes to reword Tariff Rule 14. The rule currently states:

A customer who has made application for or received water service at a premise shall be held liable for all water service furnished to such premises until such time as the customer properly notifies the Company to discontinue the service for his account.

To preclude an owner of a property with two or more living units from requiring one tenant to maintain the water service to the entire property in his name, the Company proposes to add:

However, if a premises contains more than one single family unit (e.g. duplex or apartments), then the owner of that premises, or the management company of that premises, shall be held responsible for the water service furnished to that premises until the Company is notified to discontinue service to the premises.

The Commission has scheduled a hearing to begin at 10:00 a.m. on November 14, 2001 in the Commission's Second Floor Courtroom in the Tyler Building, 1300 East Main Street, Richmond, Virginia, to receive public comment and evidence relevant to the proposed rate increase.

A copy of the Company's application and accompanying materials and this Order are available for public inspection Monday through Friday, 8:15 a.m. to 5:00 p.m. at the Commission's Clerk's Office, Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia. A copy of any supplementary direct testimony and exhibits prefiled by the Company will be available for public inspection at the same location. A copy of the Company's application, accompanying materials, any supplementary direct testimony and exhibits also may be obtained free of charge by contacting Virginia-American's counsel, Richard D. Gary, Esquire, and Jason T. Jacoby, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074.

On or before August 17, 2001, any interested person may comment on the application by filing such written comments with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Such comments shall refer to Case No. PUE010312. A copy shall simultaneously be served on counsel for the Company at the address set forth above. Any person desiring to make a statement at the public hearing, either for or against the application, need only appear in the Commission's Second Floor Courtroom at 9:45 a.m. on the date of the hearing and identify himself or herself as a public witness to the Commission's Bailiff.

Any person who expects to present evidence, cross-examine witnesses, or otherwise participate in the proceeding as a respondent pursuant to Rule 80 B of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-80 B, should promptly obtain a copy of the Order for Notice and Hearing from the Clerk of the Commission for full details of the procedural schedule and instructions on participation. A copy of the Commission's Order establishing the

proceeding, outlining details for participation, and setting forth the complete procedural schedule is available from the Commission's Web site, www.state.va.us/scc/caseinfo/orders.htm.

VIRGINIA-AMERICAN WATER COMPANY

(7) On or before July 13, 2001, the Company shall complete publication of the following notice to be published as publication of the following notice to be published as display advertising (not classified advertising) once a week for two consecutive weeks in newspapers of general circulation in the Hopewell District:

NOTICE TO THE PUBLIC OF AN APPLICATION
FOR A GENERAL INCREASE IN RATES BY
VIRGINIA-AMERICAN WATER COMPANY
CASE NO. PUE010312

On May 30, 2001, Virginia-American Water Company ("Virginia-American" or the "Company") completed an application with the State Corporation Commission (the "Commission") for an increase in rates and to revise its tariff. The Company's proposed rates and tariff revisions are effective July 20, 2001, subject to refund with interest with interest, pending a final determination by the Commission in this matter.

The proposed rates are designed to produce an overall increase of \$997,4316 or 4.23% increase in total annual operating revenues. The Company proposed to allocated the annual increase to its operating districts as follows:

	<u>Revenue Increase</u>	<u>Percent Increase</u>
Alexandria	\$181,430	1.78%
Hopewell	\$816,006	9.88%
Prince William	\$ 0	0%

Virginia-American's proposed rates for the Hopewell District are as follows:

AVAILABILITY OF SERVICE:

Available to all metered service for water treated with fluoride and carbon as required, except for customers purchasing water for resale.

METER QUANTITY CHARGE:

Where water is supplied by meter measurement, each customer shall be required to pay, and the Company shall collect for all water so supplied at the regular published schedule of rates, herein set forth, subject to the meter minimum charges herein stated.

RATE:

	<u>Cubic Feet</u> <u>Month</u>	<u>Quarter</u>	<u>Rate Per</u> <u>100 Cubic Feet</u>
For the first charge	300	900	minimum
For the next	1,700	5,100	\$3.0734
For the next	48,000	144,000	\$2.4727
For all over	50,000	150,000	\$2.2957

MINIMUM CHARGE:

No bill will be rendered for less than the minimum charges set forth below:

<u>Size of Meter</u>	<u>Minimum Charge</u>	
	<u>Per Month</u>	<u>Per Quarter</u>
5/8 inch	\$ 11.34	\$ 34.02
3/4 inch	\$ 17.01	\$ 51.03
1 inch	\$ 28.35	\$ 85.05
1-1/2 inch	\$ 56.69	\$ 170.07
2 inch	\$ 90.71	\$ 272.13
3 inch	\$170.07	\$ 510.21
4 inch	\$283.46	\$ 850.38
6 inch	\$566.91	\$1,700.73
8 inch	\$907.06	\$2,721.18

The Company intends to notify customers with 10 inch meters on an individual basis of the proposed minimum charge per month and per quarter.

AVAILABILITY OF SERVICE:

Available to all metered service for water not treated with fluoride and carbon as required, except for customers purchasing water for resale.

METER QUANTITY CHARGE:

Where water is supplied by meter measurement, each customer shall be required to pay, and the Company shall collect for all water so supplied at the regular published schedule of rates, herein set forth, subject to the meter minimum charges herein stated.

RATE:

	<u>Cubic Feet Month</u>	<u>Rate Per 100 Cubic Feet</u>
For the first	600,000	\$3.2352
For all over	600,000	\$0.6215

MINIMUM CHARGE:

No bill will be rendered for less than the minimum charges set forth below:

<u>Size of Meter</u>	<u>Minimum Charge</u>	
	<u>Per Month</u>	<u>Per Quarter</u>
5/8 inch	\$ 11.34	\$ 34.02
3/4 inch	\$ 17.01	\$ 51.03
1 inch	\$ 28.35	\$ 85.05
1-1/2 inch	\$ 56.69	\$ 170.07
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6 inch	\$566.91	\$1,700.73
8 inch	\$907.06	\$2,721.18

The Company intends to notify customers with 10 inch meters on an individual basis

of the proposed minimum charge per month and per quarter.

PLEASE TAKE NOTICE that while the total revenue requirement that may be approved is limited to the amount requested by Virginia-American, individual rates and charges, revenue apportionment, and the tariffs approved by the Commission may differ from those proposed by the Company.

In addition to revising its rates, the Company proposes to reword Tariff Rule 14. The rule currently states:

A customer who has made application for or received water service at a premise shall be held liable for all water service furnished to such premises until such time as the customer properly notifies the Company to discontinue the service for his account.

To preclude an owner of a property with two or more living units from requiring one tenant to maintain the water service to the entire property in his name, the Company proposes to add:

However, if a premises contains more than one single family unit (e.g. duplex or apartments), then the owner of that premises, or the management company of that premises, shall be held responsible for the water service furnished to that premises until the Company is notified to discontinue service to the premises.

The Commission has scheduled a hearing to begin at 10:00 a.m. on November 14, 2001 in the Commission's Second Floor Courtroom in the Tyler Building, 1300 East Main Street, Richmond, Virginia, to receive public comment and evidence relevant to the proposed rate increase.

A copy of the Company's application and accompanying materials and this Order are

available for public inspection Monday through Friday, 8:15 a.m. to 5:00 p.m. at the Commission's Clerk's Office, Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia. A copy of any supplementary direct testimony and exhibits prefiled by the Company will be available for public inspection at the same location. A copy of the Company's application, accompanying materials, any supplementary direct testimony and exhibits also may be obtained free of charge by contacting Virginia-American's counsel, Richard D. Gary, Esquire, and Jason T. Jacoby, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074.

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Any person who expects to present evidence, cross-examine witnesses, or otherwise participate in the proceeding as a respondent pursuant to Rule 80 B of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-80 B should promptly obtain a copy of the Order for Notice and Hearing from the Clerk of the Commission for full details of the procedural schedule and instructions on participation. A copy of the Commission's Order establishing the proceeding, outlining details for participation, and setting forth the complete procedural schedule is available

from the Commission's Web site,
www.state.va.us/scc/caseinfo/orders.htm.

VIRGINIA-AMERICAN WATER COMPANY

(8) On or before July 13, 2001, the Company shall complete publication of the following notice to be published as publication of the following notice to be published as display advertising (not classified advertising) once a week for two consecutive weeks in newspapers of general circulation in the Prince William District:

NOTICE TO THE PUBLIC OF AN APPLICATION
FOR A GENERAL INCREASE IN RATES BY
VIRGINIA-AMERICAN WATER COMPANY
CASE NO. PUE010312

On May 30, 2001, Virginia-American Water Company ("Virginia-American" or the "Company") completed an application with the State Corporation Commission (the "Commission") for an increase in rates and to revise its tariff. The Company's proposed rates and tariff revisions are effective July 20, 2001, subject to refund with interest, pending a final determination by the Commission in this matter.

The proposed rates are designed to produce an overall increase of \$997,4316 or 4.23% increase in total annual operating revenues. The Company proposed to allocated the annual increase to its operating districts as follows:

	<u>Revenue</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
Alexandria	\$181,430	1.78%
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American, individual rates and charges, revenue apportionment and the tariffs approved by the Commission may differ from those proposed by the Company.

In addition to revising its rates, the Company proposes to reword Tariff Rule 14. The rule currently states:

A customer who has made application for or received water service at a premise shall be held liable for all water service furnished to such premises until such time as the customer properly notifies the Company to discontinue the service for his account.

To preclude an owner of a property with two or more living units from requiring one tenant to maintain the water service to the entire property in his name, the Company proposes to add:

However, if a premises contains more than one single family unit (e.g. duplex or apartments), then the owner of that premises, or the management company of that premises, shall be held responsible for the water service furnished to that premises until the Company is notified to discontinue service to the premises.

The Commission has scheduled a hearing to begin at 10:00 a.m. on November 14, 2001, in the Commission's Second Floor Courtroom in the Tyler Building, 1300 East Main Street, Richmond, Virginia, to receive public comment and evidence relevant to the proposed rate increase.

A copy of the Company's application and accompanying materials and this Order are available for public inspection Monday through Friday, 8:15 a.m. to 5:00 p.m. at the Commission's Clerk's Office, Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia. A copy of any supplementary direct testimony

and exhibits prefiled by the Company will be available for public inspection at the same location. A copy of the Company's application, accompanying materials, any supplementary direct testimony and exhibits also may be obtained free of charge by contacting Virginia-American's counsel, Richard D. Gary, Esquire, and Jason T. Jacoby, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074.

On or before August 17, 2001, any interested person may comment on the application by filing such written comments with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Such comments shall refer to Case No. PUE010312. A copy shall simultaneously be served on counsel for the Company at the address set forth above. Any person desiring to make a statement at the public hearing, either for or against the application, need only appear in the Commission's Second Floor Courtroom at 9:45 a.m. on the date of the hearing and identify himself or herself as a public witness to the Commission's Bailiff.

Any person who expects to present evidence, cross-examine witnesses, or otherwise participate in the proceeding as a respondent pursuant to Rule 80 B of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-80 B should promptly obtain a copy of the Order for Notice and Hearing from the Clerk of the Commission for full details of the procedural schedule and instructions on participation. A copy of the Commission's Order establishing the proceeding, outlining details for participation, and setting forth the complete procedural schedule is available from the Commission's Web site, www.state.va.us/scc/caseinfo/orders.htm.

VIRGINIA-AMERICAN WATER COMPANY

(9) On or before July 13, 2001, the Company shall serve a copy of this Order on the Chairman of the Board of Supervisors of each county in which the Company offers service, and/or the Mayor or Manager of every city and town (or equivalent officials in counties, cities, and towns having alternate forms of government) in which the Company offers service. Service shall be made by first class mail or delivery to the customary place of business or to the residence of the person served.

(10) At the commencement of the hearing scheduled herein the Company shall provide the Commission with proof of notice as required by Ordering Paragraphs (6),(7),(8), and (9) above.

(11) On or before August 17, 2001, the Company shall file with Joel H, Peck, Clerk of the Commission, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118 an original and fifteen (15) copies of any additional direct testimony it intends to present at the public hearing.

(12) On or before August 17, 2001, any interested person may comment on the application by filing written comments with the Clerk of the Commission at the address set forth in Ordering Paragraph (11) above. All comments shall refer to Case No. PUE010312. A copy of such comments shall simultaneously be served on counsel for Virginia-American at the address set forth in Ordering Paragraph (2) above.

(13) On or before August 17, 2001, any person who expects to present evidence, cross-examine witnesses, or otherwise participate in this proceeding as a respondent shall file a notice of participation as required by Rule 80 B of the Practice Rules, 5 VAC 5-20-80 B, with the Clerk of the Commission at the address set forth in Ordering Paragraph (11) above. All notices of participation shall contain: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. All notices of participation shall refer to Case No. PUE010312. A copy of a notice of participation shall simultaneously be served on counsel for Virginia-American at the address set forth in Ordering Paragraph (2) above. A copy of the notice of participation shall also be served on every other respondent on or before August 27, 2001.

(14) Within five days of receipt of a notice of participation, Virginia-American shall serve upon the respondent a copy of this Order, its application, supporting testimony and exhibits, unless copies of these materials already have been provided to that person pursuant to Ordering Paragraph (2).

(15) On or before September 10, 2001 each respondent shall file with the Clerk of the Commission at the address set forth in Ordering Paragraph (11) above an original and fifteen (15) copies of the testimony and exhibits that it intends to offer in support of its notice of participation. Each respondent also

simultaneously shall serve copies of such testimony and exhibits on counsel for Virginia-American at the address set forth in Ordering Paragraph (2) above and on all other respondents.

(16) On or before October 22, 2001, the Commission Staff shall investigate the application and shall file with the Clerk of the Commission at the address set forth in Ordering Paragraph (11) above an original and fifteen (15) copies of the testimony and exhibits that it intends to offer and shall serve one (1) copy on each party.

(17) On or before November 2, 2001, Virginia-American may file with the Clerk of the Commission at the address set forth in Ordering Paragraph (11) above an original and fifteen (15) copies of any rebuttal testimony and exhibits that it intends to offer in response to testimony and exhibits previously filed and shall serve one (1) copy on each party.

(18) Discovery shall be conducted in accordance with Part IV of the Practice Rules, 5 VAC 5-20-240 through 5 VAC 5-20-280, except that responses shall be served within ten (10) days after receipt of interrogatories and special motions upon the validity of any objections raised by answers shall be filed within five (5) days of receipt.